

Message Text

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ACTION OPIC-06

INFO OCT-01 NEA-10 ISO-00 EB-08 AID-05 /030 W
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TO SECSTATE WASHDC 2182
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STATE PLEASE PASS OPIC

EO 11652: N.A
TAGS: EINV, IR
SUBJ: JOHNSON WAM CO. (IRAN) LTD. 265-71-431

REF: STATE 084389

1. SUMMARY: THE S.C. JOHNSON OPERATION HAS EMCELLENT
MARKET POTENTIAL BUT OPERATION IS JUST BEGINNING AND
IS LIKELY TO REQUIRE CAREFUL MANAGEMENT ATTENTION TO
ATTAIN FULL SUCCESS. END SUMMARY.

2.S.C. JOHNSON JOINT VENTURE HAS BEEN PRODUCING
FOR APPROXIMATELY NINE MONTHS WITH TOTAL SALES AT
PRESENT OF \$200,000. OFFICES ARE IN TEHRAN AND MANU-
FACTURING FACILITY IS LEASED PREMISES ON KARAJ ROAD
APPROXIMATELY 12 KILOMETERS WEST OF TEHRAN ADAPTED
TO PRODUCTION OF THREE JOHNSON TRADEMARK PRODUCTS
(GLO-COAT, GLADE AIR FRESHENER AND PLEDGE).

3. EQUITY PARTICIPATION (WHICH WAS AGREED TO BY COUNCIL
OF MINISTERS PRIOR TO APRIL 1975 REGULATIONS LIMITING
FOREIGN EQUITY IN MOST VENTURES TO 25 PER CENT IS CONFIRMED AT
45 PER CENT-S.C. JOHNSON AND CO., 45 PER CENT-
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S. TOOBI (PRINCIPAL OF TOOBI COMPANY, LTD., TRADING
COMPANY) AND 10 PER CENT-M.J. RAUFI, AN IRANIAN
CITIZEN WHO HAS WORKED FOR JOHNSON FOR APPROXIMATELY
FIFTEEN YEARS, BOTH IN THE U.S. AND AS MANAGING
DIRECTOR OF SOME OF ITS OPERATIONS IN AFRICA. RAUFI
SAYS MARKET POTENTIAL IS AT LEAST \$10 MILLION ANNUAL
SALES IN FIVE YEARS, A VIEW WHICH OTHER OBSERVERS

SUPPORT. MARKET FOR HOME CLEANING PROJECTS IS VIRTUALLY UNTAPPED AND DEMAND IN NEXT FEW YEARS WILL ACCELERATE RAPIDLY BECAUSE OF DECLINE OF CHEAP DOMESTIC HELP AND INCREASING USE OF TELEVISION AND OTHER MASS MEDIA ADVERTISING. INSECTICIDE FOR BOTH CONSUMER AND AGRIBUSINESS USE HAS A VERY BIG POTENTIAL.

4. PRODUCTION PRESENTLY LIMITED BECAUSE EACH PRODUCT REQUIRES MINISTRY OF INDUSTRIES APPROVAL IN THE FORM OF A LICENSE PRIOR TO PRODUCTION (AS DISTINCT FROM COUNCIL MINISTERS AND OTHER APPROVAL REQUIRED FOR ESTABLISHMENT OF THE FACTORY AND INVESTMENT AS A WHOLE). IN ADDITION TO OTHER "HYGIENIC" PRODUCTS, FIRM IS SEEKING LICENSE FOR PRODUCTION OF INSECTICIDES.

5. COMMENT: DISCUSSION WITH MANAGING DIRECTOR ELICITED FACT THAT, ALTHOUGH VENTURE WAS ORGANIZED AT LEAST SEVERAL YEARS AGO, PRODUCTION HAS BEEN SLOW IN GETTING UNDER WAY, PARTLY BECAUSE OF DIFFICULTY IN OBTAINING PROMPT APPROVAL FOR LICENSES FOR INDIVIDUAL PRODUCTS (A DIFFICULTY NOT DIRECTED TOWARD JOHNSON IN PARTICULAR BUT EXPERIENCED IN ONE FORM OR ANOTHER BY ALMOST EVERY JOINT VENTURE MANUFACTURER). IN ADDITION, HE INTIMATED THAT PROJECT MAY BE BESET BY SOME MIDDLE MANAGEMENT PROBLEMS (E.G. LACK OF COMPETENT SUPERVISORY IRANIAN PERSONNEL FOR TECHNICAL OPERATIONS HAMSTRINGS MANY VENTURES). RAUFI FURTHER INDICATED THAT HE IS RESIGNING AS MANAGING DIRECTOR (ALTHOUGH RETAINING 10 LIMITED OFFICIAL USE

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PER CENT SHARE UNLESS IT IS MADE WORTHWHILE TO SELL IT) AND THAT RECRUITMENT FOR A NEW IRANIAN MANAGING DIRECTOR CURRENTLY UNDERWAY. WHEN ASKED WHY S.C. JOHNSON HAD BEEN PERMITTED SUCH A HIGH PERCENTAGE OF EQUITY (BUCKING THE CONTINUING DOWNWARD TREND) HE INTIMATED THAT THIS KNOWLEDGE OF THE MARKET AND CONNECTIONS HAD MADE THIS DISTRIBUTION POSSIBLE. ALTHOUGH EMBASSY CANNOT JUDGE RELIABILITY OF THIS STATEMENT, IMPLICATION THAT AS A SELL-CONNECTED IRANIAN HE HAS BEEN ABLE TO HELP THE COMPANY IN SOMEWHAT INTANGIBLE WAYS IS HIGHLY PLAUSIBLE. AS S.C. JOHNSON EMPLOYEE HIS 10 PER CENT ALSO ACTS AS THE QUOTE SWING UNQUOTE SHARE SHOULD THERE BE DISAGREEMENT BETWEEN JOHNSON AND THEIR PRIMARY IRANIAN PARTNER. CONTINUATION OF QUOTE SWING UNQUOTE IN JOHNSON'S FAVOR DEPENDS IN PART ON THE DEGREE OF LOYALTY TO JOHNSON OR AT LEAST FIDELITY TO U.S. MANAGEMENT AND MARKETING TECHNIQUES OF THE NEW MANAGING DIRECTOR. IF A NEW MANAGING DIRECTOR DOES NOT HAVE THE QUOTE ACCESS UNQUOTE

INTIMATED TO BY THE PRESENT ONE, IT IS POSSIBLE THAT THERE MIGHT BE PRESSURE TO REDUCE THE PERCENTAGE OF EQUITY CONSIDERING THAT THIS VENTURE CERTAINLY DOES NOT CONSTITUTE THE QUOTE ADVANCED TECHNOLOGY UNQUOTE FOR WHICH THE GOVERNMENT HAS SAID EXCEPTIONS TO THE 25 PER CENT LIMITATION MIGHT BE CONSIDERED.

6. CONCLUSION: MARKET POTENTIAL EXISTS AND THE SUCCESS OF THE VENTURE WILL APPARENTLY DEPEND ON THE FIRM'S MANAGEMENT TECHNIQUES AND ITS USE OF ADVERTISING AND OTHER PROMOTIONAL TECHNIQUES NOT PRESENTLY COMMONLY SEEN HERE TO FOCUS DEMAND AND DEVELOP BRAND IDENTIFICATION.

7. FYI: THE MANAGING DIRECTOR STATED THAT SUPERVISION OF THIS VENTURE IS THE RESPONSIBILITY OF JOHNSON'S MARKETING MANAGER RESIDENT IN FRANCE (EVIDENTLY A LIMITED OFFICIAL USE

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FRENCH CITIZEN) WHO IS PLANNING TO VISIT IRAN IN THE NEAR FUTURE AND COMMOFF REQUESTED THAT VISITOR CALL AT EMBASSY IF AND WHEN HE APPEARS, WE WILL ATTEMPT TO DISCUSS PROJECT IN MORE DETAIL AND FROM HIS POINT OF VIEW.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
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Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Drafter: n/a
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Executive Order: N/A
Errors: N/A
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